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# Review direct tenders for power plants, says institute

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**KUALA LUMPUR** — The federal government has been urged to scrutinise and review all major contracts for power plant projects awarded through direct negotiations.

In making this call, the Penang Institute said the incoming Minister of Energy, Green Technology and Water should undertake the immediate review as part of the new administration's effort to cut unnecessary expenditure, zooming in on several directly negotiated contracts.

This included those contracted to troubled fund 1Malaysia Development Bhd (1MDB), which is now the subject of ongoing domestic and international investigation for mass fraud and corruption.

"To avoid a potential near-term fiscal crunch, it is imperative that unviable or questionable projects are reviewed to protect the long-term interests of the people, and the future of Malaysia," the

institute said in a statement.

Comparing contracts awarded through open tender, the think tank noted that a 1,000MW coal plant located in Manjung, Perak, and operated by a consortium led by national energy firm Tenaga Nasional Bhd, achieved commercial operations three days ahead of schedule, on Sept 28, 2017.

Another, a 2,000MW coal plant located in Jimah, Negri Sembilan, was controversially awarded to a consortium headed by the beleaguered 1MDB whose development rights were forfeited when it failed to meet its financial close.

The project was later taken over by TNB, which helped to get the project back on track to achieve completion of each of its two 1,000MW phases by December 2019.

It then cited the contract to build a RM4.7 billion plant in Pasir Gudang, Johor, which the ministry awarded to a consortium consisting of YTL Power, TNB and SIPP Energy which has no experience in the development of power plants.

YTL Power and TNB pulled out of the deal over concerns pertaining to a lack of

transparency in the contract award, only for TNB to return to the fold in May 2017, the think tank claimed.

The same happened to a RM13 billion power plant project in Alor Gajah, Melaka, which was originally awarded directly to 1MDB. After the fund failed to meet its financial obligation, it later sold its development rights to China General Nuclear Power Corporation.

"Both the projects are still in limbo, with construction yet to start on any of the two plants," the statement read.

"Putting aside the fact that the contracts should never have been directly negotiated in the first place, the Energy Commission had opportunities to right their wrongs by revoking both these contract awards as soon as trouble surfaced.

"Instead, construction has not started on either of these power plants, compared to the progress made with (the first two projects) this highlights the gross incompetence of direct contract awards relative to competitive bidding exercises."

It also noted various other discrepancies

in the contract award process, including the refusal to disclose the tariffs for projects initially awarded to 1MDB.

The think tank also urged the incoming minister to review the contract for the RM3.5 billion 1,200MW CCGT plant to be jointly operated by Tadmax Resources and the Korea Electric Power Corporation.

It said questions should be raised over Tadmax's ability to finance the project, noting that the company's balance sheet as of March 2017 listed RM10.6 million in cash against almost RM50 million in liabilities.

The company came under scrutiny in the past after critics pointed out that it had no experience in power generation or in constructing a power plant.

"Practices of direct negotiation and opaque tariff rates must stop," the think tank's statement further read.

"Direct contract awards open the door to the possibility of cronyism and corruption, and have proven to be inefficient, given the consistent delays and upward cost revisions to projects awarded in such a manner."